

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 1742 - HB 1650**

January 31, 2014

**SUMMARY OF BILL:** Deletes language permitting a municipality to subsidize a public works system with tax revenues and a municipal utility system to operate a public works system as a special revenue fund. Defines a financially distressed utility district to be one that has either deficit total net position, is in default or an indebtedness, or has a negative change in net position for two consecutive years. Replaces the term “net assets” with the term “net position” as it related to the annual audited financial report and operations of a financially distressed utility district.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – There may be a shift in municipal tax revenues and funds of public works systems. Because this shift will occur between local government entities, the net impact to local government is estimated to be not significant.**

Assumptions:

- According to the Office of the Comptroller of the Treasury (COT), the change in terminology and definition is necessary to come into compliance with the Governmental Accounting Standards Board (GASB), and will not result in any significant fiscal impact to state or local government.
- According to COT, any additional tasks required by COT as a result of the provisions of this legislation can be accomplished with existing staff and resources.
- Pursuant to Tenn. Code Ann. § 7-34-115, a municipality is not precluded from subsidizing a public works system with tax revenues.
- If a municipality is currently subsidizing a public works system with tax revenues, the provisions of the legislation would result in a decrease in municipal expenditures and a corresponding decrease in public works revenues. However because this shift of funds occurs between two local government entities, the net impact to local government is estimated to be not significant.

**IMPACT TO COMMERCE:**

**NOT SIGNIFICANT**

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Assumption:

- The provisions of this legislation are applicable only to funds transferred between local government entities and terminology used in audits of municipal utility districts; therefore any impact to commerce throughout the state is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise".

Lucian D. Geise, Executive Director

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